

DAIMLERCHRYSLER

Madam Chairperson, distinguished members of the Senate Finance Committee and House Tax Policy Committee. My name is Rebecca J. Vanderbeek and I am Senior Tax Counsel for the DaimlerChrysler Corporation. Thank you for allowing me to testify to the impacts of Michigan business taxes on my company and the automobile manufacturing sector.

DaimlerChrysler Corporation has a long history in Michigan dating back to the 1920's. We employ over 43,000 in the state at 27 facilities, including our Headquarters in Auburn Hills. During the past year or two DaimlerChrysler has announced the following new investments in Michigan:

- A new \$475 million investment in engine assembly plants in Dundee, which is owned by Global Engine Alliance, LLC, a joint venture managed and equally owned by the Chrysler Group, Hyundai and Mitsubishi.
- Detroit Diesel in Redford will add DaimlerChrysler's new heavy-duty world engine. The \$275 million project will create between 400 and 600 new jobs and mark DaimlerChrysler's second major engine-building investment in Michigan. Operations in Redford currently employ more than 2,800.
- A new \$278 million investment at our Sterling Heights assembly plant to build our 2007 model year mid-size replacement. In addition, a \$228 million investment at our Sterling Heights stamping plant. The two plants employ more than 5,000.
- Most recently, the Chrysler Group said it would invest \$297 million into engine programs at its Trenton, Michigan, plant to support the production of a new 4.0-liter V6 engine and redesigned 3.8-liter V6 engine.

Domestic automobile manufacturers (including our suppliers) continue to see stiff competition from foreign manufacturers and struggle with productivity improvements, perceived quality issues, and material, labor and healthcare cost pressures. Adding to this difficult business climate is the reality of a very high tax burden in Michigan for most manufacturers. The current business tax structure makes it very difficult to locate manufacturing in Michigan. While DaimlerChrysler is committed to Michigan, it can't require its suppliers to locate in Michigan, and many will choose to locate elsewhere in part because of our business taxes.

The current tax law requires us to pay more every time we hire a new person, requires us to pay more every time we put in a new piece of equipment to use in our manufacturing process. Our current tax law requires companies who make a large profit to pay the same as a company that makes no profit. These current tax provisions make no sense.

Many surrounding states (Illinois, Pennsylvania, New York, Wisconsin to name a few) have no tax on tangible personal property. Recently, Ohio has proposed eliminating

personal property taxes altogether in its new Tax Reform package and passage is imminent. For example, DaimlerChrysler has five times as many employees in Michigan as in Ohio with ten times as much property tax burden in Michigan. The automotive manufacturing sector in Michigan looks at property tax relief as crucial to its survival.

Manufacturing is vital to Michigan's future. We don't believe that anybody can express a vision of Southeast Michigan or of the state as a whole where manufacturing and the auto industry doesn't play a pivotal role.

DaimlerChrysler believes that the Michigan Jobs and Investment Act is vital to Michigan's future. It will help us create and retain more jobs today and invest in the new technologies that will provide the jobs of the future. DaimlerChrysler also believes that failing to take substantial action to give manufacturing tax relief in this state will mean a continued decline in our state's employment and wealth, with no other industry stepping in to stop that decline.

Thank you very much for providing this opportunity. I'd be happy to try and answer any relevant questions committee members may have.